

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 86 - HB 76

February 14, 2015

SUMMARY OF BILL: Authorizes, rather than requires, professional employer organization (PEO) employees to be considered as employees of a company for purposes of determination of employment based tax credits and other economic incentives provided by this state or a local government entity to such company.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Any fiscal impact to current state or local government revenue is estimated to be not significant. However, to the extent certain employers are precluded from qualifying for a tax credit or an economic incentive in the future, this bill would result in a reduction of tax expenditures or in cost avoidance to the state or local government. Due to multiple unknown factors, the amount of any such potential impacts cannot be determined with reasonable certainty.

Assumption:

- The proposed legislation would provide the Department of Revenue and the Department of Economic and Community Development the discretion of determining, on a case by case basis, whether PEO employees should be considered as employees of a company for purposes of determination of employment based tax credits and other economic incentives.
- The Department of Revenue reports that there are no current tax credits that would be affected by the proposed legislation. It is further estimated that there are no other current economic incentives that would be affected by the proposed legislation. Therefore, any fiscal impact to current state or local government revenue or expenditures is estimated to be not significant.
- However, to the extent certain employers are precluded from qualifying for a tax credit or an economic incentive in the future, this bill would result in a reduction of tax expenditures or in cost avoidance to the state or local government. Due to multiple unknown factors, such as the number of companies that would qualify for tax credits and economic incentives in the future under current law but would be denied such credits and incentives as a result of this bill, the type and magnitude of the tax credits and incentives, the timing of the tax credit and incentive realization, and any subsequent business decisions resulting from the loss of such credits or incentives, the amount of

any such potential reduction of tax expenditures or the amount of any cost avoidance cannot be determined with reasonable certainty.

IMPACT TO COMMERCE:

Other Impact – Any impact to the current private sector business revenue or expenditures is estimated to be not significant. However, to the extent certain employers are precluded from qualifying for a tax credit or an economic incentive in the future, this bill would result in an increase in business expenditures or a decrease in business revenue. Due to multiple unknown factors, the amount of any such potential impact to business revenue or expenditures, or any impact on private sector jobs cannot be determined with reasonable certainty.

Assumption:

- The proposed legislation is estimated to result in a not significant impact to the current private sector business revenues or expenditures. However, to the extent that certain employers are precluded from qualifying for a tax credit or an economic incentive in the future, this bill could result in an increase in business expenditures or a decrease in business revenues as such credits and incentives will not be awarded.
- Due to multiple unknown factors, such as the number of companies that would qualify for tax credits and economic incentives in the future under current law but would be denied such credits and incentives as a result of this bill, the type and magnitude of the tax credits and incentives, the timing of the tax credit and incentive realization, and any subsequent business decisions resulting from the loss of such credits or incentives, the amount of any such potential increase in business expenditures or decrease in business revenues, or any impact on private sector jobs cannot be determined with reasonable certainty.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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